

Message Text

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ACTION DLOS-07

INFO OCT-01 ARA-16 ISO-00 AF-10 EA-11 EUR-25 NEA-14 RSC-01

CG-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03 NSAE-00

NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15 FEA-02 CEQ-02

COA-02 COME-00 EB-11 EPA-04 IO-14 NSF-04 SCI-06

ACDA-19 AEC-11 AGR-20 DOTE-00 FMC-04 INT-08 JUSE-00

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FROM US DEL LOS

E.O. 11652: N/A

TAGS: PLOS

SUBJECT: LOS: COMMITTEE I, ECONOMIC IMPLICATIONS

1. SUMMARY: IN SEVERAL DIFFERENT FORUMS DURING WEEK OF JULY 29, COMMITTEE I (C-I) CONSIDERED QUESTION OF ECONOMIC IMPLICATIONS OF SEABED EXPLOITATION FOR LDC PRODUCERS OF METALS. US DEL IS PLEASED WITH RESULTS OF DISCUSSIONS WHICH IMPLY MORE MODERATE ATTITUDE ON ISSUE FOR LDC DELS IN FUTURE.

2. C-I HELD TWO FORMAL SESSIONS JULY 30. MAJOR PORTION OF DAY WAS DEVOTED TO INTRODUCTION BY REPRESENTATIVE OF UN SYG STAVROPOULOS OF UN REPORT ON ECONOMIC IMPLICATIONS OF DEEP SEABED MINING, FOLLOWED BY EXTENSIVE QUESTION AND ANSWER PERIOD. STAVROPOULOS GAVE FAIRLY BALANCED PRESENTATION OF UN REPORT, POINTING OUT THAT ECONOMIC FACTS ABOUT SEABED

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MINING ARE HIGHLY SPECULATIVE ALTHOUGH CONCLUDING THAT

AUTHORITY SHOULD BE EMPOWERED TO TAKE SPECIFIC ACTION TO PROTECT LDC PRODUCERS.

3. UNEXPECTEDLY C-I CHAIRMAN PERMITTED DELS TO ASK ON RECORD QUESTIONS OF AUTHOR OF SYG REPORT, RAOUL BRANCO. IN RESPONSE TO VARIOUS QUESTIONS, BRANCO POINTED OUT FOLLOWING FACTORS OF PARTICULAR IMPORTANCE: A) SINCE SEABED OPERATIONS INVOLVE JOINT PRODUCT RECOVERY, IT WILL BE DIFFCULT TO PROTECT LANDBASED COBALT PRODUCERS WITHOUT PREVENTING SEABED PRODUCTION ALTOGETHER; B) WHILE COMPENSATION FUND DERIVED FROM SEABED REVENUES WOULD NOT BE SUFFICIENT TO CORRECT PROBLEM FOR LDC PRODUCERS, CONFERENCE COULD CONSIDER OTHER SOURCES FOR COMPENSATION, FUND, SUCH AS IMPORT LEVIES FROM DEVELOPED COUNTRIES; C) IN SHORT TERM ONLY MANGANESE AND COLBAT MARKETS WILL BE AFFECTED BY SEABEDMINING; SINCE LDC'S CONSUME FEW PRODUCTS MADE FROM COBALT OR MANGANESE MAJOR BENEFITS TO CONSUMERS FROM SEABED PRODUCTION WILL NOT ACCRUE TO LDC'S FOR LONG TIME; D) LDC PRODUCERS STAND TO LOSE MORE IN ECONOMIC COSTS FROM SEABED MINING THAN LDC SONSUMERS STAND TO GAIN; E) IT IS POSSIBLE THAT MAJOR PROBLEMS FOR LDC PRODUCERS WILL BE IN FORM OF SHOR-TERM PRICE FLUCTUATIONS AND AUTHORITY MAY HAVE DIFFICULTY CORRECTING THIS TYPE OF PRICE DECLINE F) CAREFUL PLANNING MIGHT ALLOW AUTHORITY TO PREVENT LONG-TERM PRICE DETERIORATION THROUGH RESTRICTION OF SEABED PRODUCTION. SEVERAL LDC REPS, INCLUDING SINGAPORE, ISRAEL, SRI LANKA AND INDIA, EMPHASIZED NEED TO PROTECT INTERESTS OF CONSUMER LDC'S IN PREVENTING ARTIFICIALLY HIGH PRICES FOR METALS.

4. US C-I REP (RATINER) INTERNE IN DISCUSSION TO ASK FOLLOWING QUESTIONS OF SYG'S REP;
A) WOULD IT BE POSSIBLE TO QUANTIFY EFFECTS OF HIGHER PRICES FOR FINISHED PRODUCTS IF THERE ARE TIGHER PRICES FOR RAW MATERIALS RECOVERED FRO NODULES;
B) WHAT WOULD BE COSTS TO LDC CONSUMERS IF METALS PRICES INCREASE;
C) HAS ANY CONSIDERATION BEEN GIVEN TO WHETHER PROPOSED METHODS OF DEALING WITH ECONOMIC IMPLICATIONS WILL LARGELY BENEFIT DEVELOPED COUNTRY PRODUCERS;
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D) WHAT WOULD BE EFFECT OF PRODUCTION CONTROLS ON REVENUE FROM DEEP SEABED MINING AND TO WHAT EXTENT WIL BENEFITS FROM COMMON HERITAGE BE LOST OR DIMINISHED? HE CONCLUDED BY STATING THAT COMMITTEE MUST ANALYZE WHAT IS TRULY IN INTERNATIONAL COMMON INTEREST RATHER THAN IN INTEREST OF A FEW.

5. C-I CHAIRMAN, PAUL ENGO, ORGANIZED TWO INFORMAL SEMINARS

JULY 31 AND AUGUST 1 IN ORDER TO PROVIDE OPPORTUNITY FOR LDCREPS TO LISTEN TO DEBATE AMONG EXPERT ECONOMICISTS OF VARIOUS VIEWS. PROFESSOR DENNIS LOGUE, CONSULTANT TO TREASURY TRAVELED TO CARACAS TO PARTICIPATE AS US EXPERT IN SEMINARS AND US DEL INTRODUCED BRIEF WORKING PAPER OUTLINING WHAT PROBABLE ECONOMIC EFFECTS OF SEABED PRODUCTION WOULD BE AND WHAT PROBLEMS US PERCEIVED IN OPTION OF PROPOSED MEASURES (PRODUCTION CONTROLS, COMMODITY AGREEMENTS AND COMPENSATION). SEMINARS DIDNOT EVOLVE INTO EXPERT FORUM SINCE SEVERAL DELS(CHILE, PERU, ZAIRE) MADE INTERVENTIONS OF POLITICAL NATURE. HOWEVER, SUFFICIENT OPPORTUNITY AROSE TO CHALLENGE STATISTICS AND ASSUMPTIONS IN UN REPORTS SO THAT S DEL FEELS CONFIDENT THAT ALL PARTICIPANTS WERE GREATLY IMPRESSED WITH COMPLEXITY OF SUBJECT AND INADEQUACY OF DATA.

6. MOST SUPRISING RESULT OF WEEK'S DISCUSSION OF ECONOMIC IMPLICATIONS WAS PERUVIAN REP'S STATEMENT AT SEMIAR AUGUST 1 IN WHICH HE ACKNOWLEDGED UNCERTANTY SURROUNDING SUBJECT AND NEED TO PROTECT LDC CONSUMER AS WELL AS PRODUCER INTEREST (PERU HAS PREVIOUSLY BEEN IN FOREFRONT OF SUPPORTERS FOR PRICE AND PRODUCTION CONTROLS). AS SOLUTION TO DILME, HE URGED THAT QTE SIMPLE MECHANISM UNQTE BE ESTABLISHED IN CONVENTION TO DEAL WITH PROBLEMS IF AND WHEN THEY ARISE.

STEVENSON

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